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ARIZONA CORPORATION COMMISSION

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ccmc

May 11, 2004

The Honorable Lionel D. Ruiz
Chairman, Pinal County Board of Supervisors
P.O. Box 827
Florence, AZ 85232

Re: H₂O, Inc. for an Extension of its CC&N; Docket No. W-02234A-00-0371
Johnson Utilities for an Extension of its CC&N; Docket No. WS-02987A-99-0583
Johnson Utilities for an Extension of its CC&N; Docket No. WS-02987A-00-0618
Diversified Water Utilities to Extend its CC&N; Docket No. W-02859A-00-0774
Queen Creek Water Co. to Extend its CC&N; Docket W-01395A-00-0784
Decision No. 64062 (Amends Decision No. 63960), October 4, 2001

Dear Chairman Ruiz:

On May 6th there was an article in the *Tribune* announcing that a settlement agreement had been reached between Pinal County and Diversified Water Utilities dissolving the Skyline Domestic Water Improvement District. According to the article, the settlement calls for county officials to recommend to this commission that we approve Diversified to serve the area formerly served by the district.

At your earliest convenience, please send me a copy of the settlement agreement.
Thank you for your cooperation.

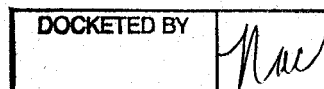
Sincerely,

William A. Mundell, Commissioner
Arizona Corporation Commission

Arizona Corporation Commission

DOCKETED

MAY 11 2004



cc: Supervisor Sandie Smith
Supervisor Jimmie B. Kerr
Chairman Marc Spitzer
Commissioner Hatch-Miller
Commissioner Gleason
Commissioner Mayes
Brian McNeil, Executive Secretary
Chris Kempley, Chief Legal Counsel
Ernest Johnson, Director, Utilities Division

AZ CORP COMMISSION
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2004 MAY 11 P 2:55

RECEIVED

Pinal County settles water district dispute

5/06/04
Johnson-owned
company loses
exclusive contract

By J. CRAIG ANDERSON
TRIBUNE

Pinal County officials have signed a settlement agreement dissolving a water improvement district near Queen Creek and terminating a potentially lucrative 30-year service contract with water provider Shea Utilities LLC, owned by Scottsdale developer George Johnson.

However, the competitor whose lawsuit prompted the settlement says the deal will not offer permanent relief from what he described as persecution by county

officials.

The agreement, that Diversified owner Scott Gray and county officials signed April 28, acknowledges that a water improvement district formed by Pinal County and awarded to Johnson was not formed legally, and that there was no justification for taking the service area away from Diversified.

Diversified had sued the county claiming the Skyline Domestic Water Improvement District, southeast of Chandler Heights and Kenworthy roads, was formed to put the small water company out of business.

After the district was formed, the county Board of Supervisors awarded Shea Utilities a 30-year contract to

be its exclusive water provider.

The settlement agreement requires county officials to recommend that the Arizona Corporation Commission award the former Skyline area to Diversified, but Gray said the recommendation is only valid for two years.

Johnson, Pinal County Supervisor Sandie Smith and deputy county attorney Bill McLean could not be reached for comment Wednesday. Gray said he expects a fight over the service area with Tempe holding company Vanderbilt Farms LLC, which owns land in the former

district. Vanderbilt Farms purchased water company Johnson Utilities LLC from Johnson in mid-April.

Corporation Commissioner William Mundell and others have accused Pinal County officials of showing favoritism toward Johnson and his utility operations inside the county.

Since Diversified's dispute with Johnson and the county began, public documents have revealed County Manager Stan Griffis' son works for Johnson, and Johnson gave Griffis' daughter free land.

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